



**CITY OF SCOTTSDALE HOUSING BOARD
REGULAR MEETING
ONE CIVIC CENTER
3RD FLOOR CONFERENCE ROOM
7447 EAST INDIAN SCHOOL ROAD
SCOTTSDALE, ARIZONA
JANUARY 10, 2006**

PRESENT: Del-Monte Edwards, Chairman (arrived at 5:13 p.m.)
Joe Priniski, Vice-Chairman
George Leonard, Board Member
Sheldon Sigismund, Board Member
George Sutherland, Board Member
Michele Swinick, Board Member (telephonic)

ABSENT: Gary Morgan, Board Member

STAFF PRESENT: Molly Edwards

GUESTS: Mark Bethel, Community Assistance Manager
Justin Lisonbee, Senior Grants Program Specialist
Rob Schweitzer, Section 8 Manager/Housing Coordinator

1. **CALL TO ORDER/ROLL CALL**

The regular meeting of the Scottsdale Housing Board was called to order by Vice-Chairman Priniski at 5:08 p.m. A formal roll call confirmed the members present as stated above.

2. **REVIEW AND APPROVAL OF PREVIOUS MINUTES**

December 13, 2005 Housing Board Meeting

BOARD MEMBER LEONARD MOVED FOR APPROVAL OF THE DECEMBER 13, 2005 HOUSING BOARD MEETING MINUTES. BOARD MEMBER SIGISMUND SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY BY A VOTE OF 6 (SIX) TO 0 (ZERO).

3. **SECTION 8 STAFF UPDATE**

Mark Bethel, Community Assistance Manager distributed a Report broken into two Categories used to monitor performance each year—1) Utilization, and 2) Contracted Units with HUD. Mr. Bethel reported that they have changed from a units-based method of budgeting to a dollar-based method.

Discussion ensued, clarifying that the dollar amounts provided are determined by selecting three months from the previous year and then calculating an average cost for that calendar year. Establishing that HUD currently funds them on a calendar year and not a fiscal year, including an inflation factor. Mr. Bethel pointed out that this new dollar-based method is creating a spiraling effect on funding.

The Housing Board reviewed the Utilization Graph provided by Mr. Bethel, explaining how staff is calculating expected funding for 2006. Mr. Bethel points out that they only have the HUD funding figure for January 2006, and that funding for the rest of 2006 is to be provided within the next 60 days. Based on last year's average cost of \$624 per unit, staff's goal in 2006 will be to lease out approximately 670 units.

Discussion followed regarding substantial drops in utilization along with what causes such drops. Mr. Bethel commented that the typical turnover is approximately four families per month even though the last 3-4 months had approximately six to seven families dropped per month because of unexpected deaths. Mr. Bethel clarified that families can become ineligible because of termination caused by unauthorized families or under reported income.

Mr. Bethel introduced the two associates assisting him with the Public Hearing Presentations: Justin Lisonbee, Senior Grants Program Specialist, manages the housing related CDBG and home activities contracts, assisting the Section 8 Family and Homebuyer Programs; Rob Schweitzer, Section 8 Manager and Housing Coordinator for the past five years.

Vouchers: Eligibility, Restrictions, and Extensions

Mr. Bethel reported that currently they have 640 units leased with 12 clients who have already gone through the eligibility process, looking for a place to lease within the next 60 days. Rob Schweitzer reported that when a family is issued a voucher for 60 days, sometimes an extension of 30 days is requested because it is taking them longer to find affordable units. Discussion ensued; highlighting how affordable housing is affected by decreased vacancy rates (causing rent increases), increased occupancy, condo conversions, and drops in rentals posted by landlords.

Mr. Bethel recalled the loss of a tool they had access to in the mid 1990's, when vacancy rates were really low and rents were high, they had the ability to request HUD to provide exception rents (to get above/up to 120% of the fair market rent). Regulations changed through the Appropriations Act, stating that the maximum level is now 110% of fair market rent.

Board Member Leonard inquires whether any of the families have been displaced over the past year because of condo conversions. Mr. Bethel remarked that about 3-4 months ago he submitted a list of six properties slotted for condo conversions to the Board, affecting approximately fifty Section 8 families. Further commenting that the elderly population (over 60% of clientele are elderly or disabled) will be affected the most because of cost and the fact that they weren't planning on moving. Being in the Human Services Department, we have access to Senior Service Centers and Case Workers to provide a smoother transition.

Mr. Bethel noted that the Family Self Sufficiency Program has Section 8 participants who are building escrow accounts, getting education, and preparing to take the next step. Resulting in approximately 40 out of 640 participants moving on to the First Time Home Buyer Program. Mr. Bethel points out that the cost of housing in Scottsdale excludes them from detached housing leaving condominiums as the only option.

Discussion followed regarding loss of vouchers when an extension is not applied for after the initial 60-day period. Mr. Bethel clarified that extensions can go up to 30 more days, with an additional 30 days following the 1st extension—a total of 120 days provided from the issuance date of the voucher. Reasons for extensions include mismanagement of time and bad planning. Mr. Bethel pointed out that the 60-day period can be used as an indicator of the market.

Locations: Affordability, Waiting Lists, and Preferences

Board Member Sigismund inquires whether families' rental searches are focused on Scottsdale specifically, or do they include other adjacent cities. Mr. Schweitzer commented that the focus is on Scottsdale because of the process of transference vs. assistance. Clarifying that applicants can sign-up on various waiting lists, monitoring which ones gets the quickest results, and then taking their names off the lists once they have received approval.

Mr. Bethel noted that once you are on a program, you have to stay with that housing program for at least one year before going portable to any part of the country. Applicants can stay in a program as long as they are eligible. Pointing out that Scottsdale's current waiting list of 238 and the City of Phoenix waiting list is in the thousands, and that Scottsdale's waiting list is currently closed until applicants move from the top of the list into the program. The waiting list was opened in November 1997, 1999, 2001, 2003, and missed 2005 because of the 238 applicants still waiting. Resulting in a process of approximately 2-3 years.

Vice-Chairman Priniski inquires whether rental property is still affordable with Scottsdale subsidies. Mr. Bethel reported that more situations arise where current tenants stay longer and landlords have to provide more concessions to stay within the threshold. Pointing out that the program requires the majority of clients to pay 30% of their adjusted gross income with the ability to go up to 40% (backed by documentation), having an exception for those who claim zero income. Mr. Schweitzer elaborated that you can average your rent for a period of two years and freeze it at that rate. Discussion ensued, clarifying that the average assistance is \$623 and the average tenant contribution is \$200 with a total of \$850.

Board Member Sutherland inquired whether they negotiate the rental payment on behalf of families in the program. Mr. Bethel elaborated that they have a contractual relationship through the Housing Assistance Payment Contract with the Landlord and a regulatory obligation with the tenant. Allowing them to support the tenant in following through on their lease, which in turn supports the Landlord. Reducing evictions and terminations from the program.

Board Member Leonard inquired whether people are moved through the waiting list based on need or on a first come first serve basis. Mr. Bethel reported that it is based on the housing authority preference “live in Scottsdale, work in Scottsdale.” When you are placed on the waiting list you are assigned points based on: 1) time/date stamped on application when received; and 2) location of where you live and work. Discussion followed regarding the “live in Scottsdale, work in Scottsdale” preference (you automatically receive points when you live OR work in Scottsdale).

Mr. Bethel stated that 75% of the clients that come off the waiting list yearly have to be at or below 30% of their total income. Elaborating that there is a Table A—30% income and a Table B—50% income used as a guide for moving people up the waiting list. Mr. Bethel pointed out that since HUD is reducing their funding of this program, numerous housing authorities are closing their waiting lists.

The Housing Board reviewed a geographic illustration of Scottsdale properties in this program provided by Mr. Bethel. Discussion ensued, clarifying that approximately 60% of the properties and apartment complexes are located between Thomas and Camelback. Having approximately 200 landlords with 100 single-family residential properties. Providing 100 families out of the 640 with residential homes, leaving 570 in apartment rentals.

4. **PUBLIC HEARING—Presentation of the City of Scottsdale Housing Agency Administration Plan Update**

Mr. Bethel reported that the Administrative Plan is the most important document for their program, which is used as guide for the Section 8 Program in Scottsdale. Explaining that it is used for appropriate actions for various disputes between the housing authority and the tenant or the tenant and the landlord. Which has not been updated for the past four years.

Mr. Bethel also commented that the Resident Advisory Board’s participation in updating the Administration Plan was in compliance with the Quality Housing and Work Responsibility Act.

Chairman Edwards requested that the Public Hearing of the Administrative Plan begin. Mr. Lisonbee and Mr. Schweizer presented the summary of significant changes provided in the Administrative Plan proposed to establish policies for carrying out the Housing Choice Voucher Program consistent with HUD requirements and the objectives of the Scottsdale Housing Agency Plan.

Mr. Lisonbee reported that the current Administrative Plan was originally based on a template provided by HUD. Commenting that in order to improve the Plan, they are asking for adoption on a new Administrative Plan developed by Nan

McKay and Associates—a housing industry leader in training/producing documents for public housing agencies. Mr. Lisonbee elaborated that the current changes being incorporated into the Plan include the latest changes to Federal Regulations through September 2005, such as the Home Ownership Program adopted a few years back. Pointing out that the document has been reviewed and approved by the City Attorney's Office with minor corrections, and was also reviewed and commented on January 4, 2006 by the resident Advisory Board.

Mr. Lisonbee highlighted the major topics discussed by the Advisory Board and City Attorney's Office.

1. The waiting list—kept no longer than 24 months to reduce management and false hope, purged annually, and families must notify them within 10 business days of any changes.
2. Recommending a new local preference be added—the need for the elderly and disabled applicants to receive 5 points.
3. Occupancy standards remain unchanged.
4. Up front income verification system implemented by HUD—quick and accurate information on income.
5. Housing quality standards remain unchanged—additional language added for termination of owners for violations of breach of contract, and a clear definition provided for preponderance of evidence.
6. Section 8 home ownership program—plans for provision of direct down payment assistance grant only (a lump sum payment given for application towards down payment assistance if qualified), to be implemented by June 2006, and to provide a briefing to all Section 8 clients.
7. Informal reviews and hearing process—changing the process for information hearings to imitate Code Enforcement Hearings in Civil Traffic Hearings, and once adopted a Housing Office representative will sit in on the hearing to present the housing agency information (if requested by tenant) to be considered by the Hearing Officer.

Mr. Lisonbee requested that the Housing Board approve the proposed Administrative Plan along with the recommended changes so it can then be forwarded to City Council for approval on March 21, 2006.

Board Member Sutherland inquired about verification of the application information process. Mr. Lisonbee reported that they do up front income verification, followed by third party verifications mailed out to employers for return. Mr. Schweitzer commented that they are using a new system HUD prepared which ties in with IRS, Social Security, and Employment systems for gathering independent third party verification. Discussion followed regarding annual physical quality inspections.

BOARD MEMBER SIGESMUND MOVED FOR APPROVAL OF THE CITY OF SCOTTSDALE HOUSING AGENCY ADMINISTRATIVE PLAN UPDATE FOR 2006. BOARD MEMBER SUTHERLAND SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY BY A VOTE OF 6 (SIX) TO 0 (ZERO).

5. **PUBLIC HEARING—Presentation of the Housing Choice Voucher Annual Agency Plan for FY 2006**

Chairman Edwards requested that the Public Hearing of the Administrative Plan begin. Mr. Bethel, Mr. Schweitzer, and Mr. Lisonbee presented the Housing Choice Voucher Annual Agency Plan for 2006.

Mr. Bethel reported that submission of the Annual Agency Plan is required by HUD in order to get funding for the next fiscal year. Commenting that once this inflexible document is approved, they will be funded for the upcoming calendar year. Mr. Bethel pointed out that since they are only a Section 8 housing authority, they would be using the Streamlined Plan. Stating that Section 511 of the Quality Housing and Work Responsibility Act of 1998 created the Public Housing Agency 5 Year and Annual Plan Requirement.

Any local, regional, or state agency that receives funds to operate federal public housing or Section 8 tenant based programs must submit the Agency Plan. Within the creation of the Agency Plan Requirement the law specified both the type of information that should be included in the Plan and the steps an Agency must go through to obtain resident and public involvement in the plan.

Mr. Bethel reported that the Scottsdale Housing Agency's Annual Plan for FY 2006 would be submitted with no substantial changes. The Housing Agency Plan is consistent with the consolidated plan and Section 8 Home Ownership Program. Commenting that the Resident Advisory Board's participation in updating the Agency Plan was in compliance with the Quality Housing and Work Responsibility Act.

Mr. Schweitzer explained that the Resident Advisory Board currently has 5 members resulting from the mailing of interest letters to all participants last September of 2004 soliciting involvement in the Agency Plan. Noting that the 5 members provided Plan recommendations, which were then submitted to HUD as a Narrative Attachment.

Mr. Lisonbee commented that the Resident Advisory Board provided clarification of the preference for the disabled, the home ownership program—allowing elderly/disabled to take the monthly mortgage program instead of the down payment systems program, and occupancy standards.

Mr. Bethel requested that the Housing Board approve the Housing Choice Voucher Annual Agency Plan for 2006 so it can then be forwarded to City Council for approval on March 21, 2006.

BOARD MEMBER LEONARD MOVED FOR APPROVAL OF THE HOUSING CHOICE VOUCHER ANNUAL AGENCY PLAN FOR 2006. BOARD MEMBER

SIGESMUND SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY BY A VOTE OF 6 (SIX) TO 0 (ZERO).

6. **CONTINUED DIALOGUE TO FINALIZE CONDO CONVERSION TIMELINE AND FOLLOW-UP FROM HOUSING BOARD RETREAT**

Molly Edwards reported that tonight they would review a draft of the white paper report established last month. Commenting that they should have received a copy of Board Member Morgan's homework along with an email listing approximately 3,300 condo conversions from last year now lost to the market.

Ms. Edwards stated that this topic is important enough to initiate current media inquiries, interest from the Mayor and City Council, along with a meeting next week with the City Manager's Office, and a discussion with Ed Gawf at next month's meeting. Pointing out that the sooner we tighten up the white paper the sooner we can present it to City Council.

Ms. Edwards commented that the report has been prepared in the recommended format for submittal of a white paper. Indicating that under the Executive Summary the problem statement is stated first combined with the recommendations, second would be research compiled, with the final section being formal recommendations to City Council as well your conclusions with attachments.

Discussion followed regarding the definition of the first heading. Members agree that it should be changed to "lack of regulatory oversight of conversions." Ms. Edwards points out that tonight is a brief over to get basic information and that the Board may want to go into more of a description in the background component. Suggesting that ADHOC reconvene again to expand the research and define the specific bullets.

Chairman Edwards inquired which city services would be impacted after condo conversion and what should we recommend to City Council: would there be more police (property management policing), active HOAs, the provision of water/sewer/trash pick-up, is it income generator. Ms. Edwards suggested that the subcommittee address what are the impacts on a larger scale resulting from condo conversions. Commenting that she will follow-up with water, sewer, and the Sanitation Department to find out what the current impact is.

Discussion ensues about out-of-state investor ownership in regards to HOA membership and the problems that may arise. Highlighting the voting issues permitted for such property owners. Board Member Sigesmund agrees to contact the Real Estate Department to gather information on this topic.

Board Member Sigesmund pointed out that the report does not cover the fact that Arizona Statute puts a kabash on some of the steps they are recommending. Discussion ensued about whether the Arizona Statute should be included as a heading for emphasis rather than the Background section. Board Members Swinick and Sigesmund agreed to prepare the Arizona Statute section.

Board Member Sigesmund points out that there should be an independent opinion regarding the sufficiency of the HOA dues to provide for reserve funds

necessary for capital improvements. Chairman Edwards commented that they are being more stringent on Public Reports and the Board needs to quiz them on this area. Pointing out that you have to state what you plan to do on the HOA and the fee issue. Ms. Edwards reported that it might be part of the 80-day notice that starts from the date of application submission. Board Member Swinick inquired about permit application fees and Board Member Leonard clarified that the current cost of \$80 reflects how easy it is to apply.

Upon further discussion of Condo Conversions, the Board established that Mesa was considered the most difficult as a result of established requirements. All agreed they should obtain condo conversion requirement checklists from other cities for comparison. In addition, the Board discussed exchanging Condo Conversion information with other existing boards and commissions.

Board Member Sutherland argued that in order to change the ARS it becomes a State issue. Chairman Edwards inquired whether there was a minimum unit size allowed for apartment building construction in Scottsdale. Board Member clarified that is a City Code having nothing to do with the State. Mr. Bethel reported that at the City level these issues will be controlled at the Development Services Department within each city, where the permits are approved is where the decisions are being made.

In the course of the discussion, Board Member Sigismund elaborated that most apartment buildings have varying size apartments within starting at approximately 800 sq. ft. Having a minimum of approximately 1,000 sq. ft., you cannot convert half of the building without the other half. Board Member Sutherland points out that you can bring them up to code by starting with required fire sprinklers and current electrical systems.

Chairman Edwards presents Article 33-1205:

Applicability of local ordinances, rules, and building codes

- a. A zoning subdivision of building code or other real estate use law, ordinance or rule shall not prohibit a condominium form of ownership or impose any requirement on a condominium which it will not impose on a physically identical development under a different form of ownership.**

Board Member Sutherland argued that the Article isn't saying anything about a conversion; it states that if you are going to create a rehab/new condominium you still should maintain today's codes and standards. In the course of the discussion, Board Member Sigismund presented the fact that you cannot impose current codes on conversions of rental buildings built years ago since they are grandfathered in.

Board Member Sigismund elaborated that a majority of current condo conversions can do whatever repairs they want (i.e. minor cosmetic repairs such as painting or flooring) in order to save money, putting the liabilities back on the owner. Elaborating that the investors then keep the money, cut a deal with the existing tenant to continue living as before, creating a lease back situation on an

investment. Chairman Edwards remarked that is a legal question to be submitted to Donna Bronski for further research.

Ms. Edwards wraps up the discussion by reiterating that the ADHOC subcommittee should meet again to research the viable questions brought up. Reminding Board Members Sigismund and Swinick to prepare the Arizona Revised Statutes Summary to be incorporated in the Report. Ms. Edwards stated that she would research what the impacts are on city services on a broader scale once Condo Conversion is complete along with permit fees and city comparisons. She recommended the Board Members visit some of the Condo Conversion locations from the list provided.

7. **CHAIRPERSON'S REPORT**

Chairman Edwards reported that the Regional Workforce Housing Taskforce meeting is scheduled for January 17, 2006 from 7:00-9:00 a.m. for \$30.00. Wherein they will provide an update on the Taskforce's future actions on affordable housing valley wide. Board Member Swinick reported that she would be attending.

8. **STAFF REPORT**

Ms. Edwards reported that the Guide to Arizona Residential Tenant Landlord Housing previously presented was prepared in conjunction with Shannon Wallace. It contains informative information and is available upon request for anyone who needs copies for tenants and landlords.

9. **FUTURE AGENDA ITEMS**

Mr. Bethel reported that as part of the requirements for the CDBG Program, they are required to update their Analysis of Impediments every 5 years. Stating that Paul Ludwig has written a draft report on their behalf consisting of primary data from a targeted survey sent to Section 8 clients, social centers, and other waiting list clients. Mr. Bethel requested that the Housing Board review it at the next meeting in February.

10. **OPEN CALL TO THE PUBLIC** (A.R.S. § 38-431.02)

No members of the public wished to address the Board.

11. **ADJOURNMENT**

With no further business to discuss, being duly sworn and seconded, the meeting adjourned at 6:52 p.m.

Respectfully submitted,
A/V Tronics, Inc.